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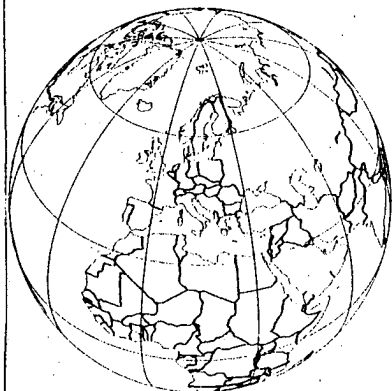
Memorandum for:

1 June 1987

Please find attached updated versions of our spreadsheets on the positions on the Summit countries on Summit economic and political issues. The date of the update was 5/20/87.


Chief, Western Europe Division
Office of European Analysis

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**Office of European Analysis
Directorate of Intelligence**

Venice Summit
1 June 87

Venice Summit Economic Positions

	Japan	West Germany	France	United Kingdom	Italy	Canada	European Community
Macroeconomic policy coordination	Finance Ministry opposes macroeconomic policy coordination to stabilize exchange rates. Accepts the use of indicators—except interest rates—to monitor economic policy and performance but not to dictate policy changes. Other Japanese officials believe more expansionary policies are needed to halt yen's rise.	Not inclined to alter its domestic policies for the sake of international cooperation. Has agreed to strengthen the indicator process, but rejects efforts tying changes in indicators to policy changes.	Leading proponent of greater policy coordination. Strongly supports use of indicators to trigger consultations among the G-5, but not policy changes. Agrees that Tokyo and Bonn should stimulate their economies.	Believes more policy coordination is necessary, but reluctant to use indicators to mandate policy changes. Believes Japan has primary responsibility for correcting world trade imbalances; reticent about pushing Bonn to reflate.	Concerned about imbalances but will let other summit countries take the initiative. Wants West Germany and Japan to pursue more expansionary measures, but will be restrained to avoid criticism about their own economic imbalances.	Not a major issue for Ottawa. Has not yet clarified views on use of indicators, but has publicly stressed the need to coordinate policies.	Is likely to call for greater economic policy coordination and expansionary policies in Japan and West Germany. May argue for increase in government spending on infrastructure and private investment in Europe and for labor to slow growth of real wages.
International monetary reform		Skeptical of any monetary reform that would commit Bonn to policy changes. Acknowledges the usefulness of coordinated intervention to stabilize exchange rates. Reportedly has agreed, at least temporarily, to informal target zones.	Argues for flexible system based on the creation of reference zones among the world's principal currencies. Mitterrand may stress dangers of unilateral efforts to influence currency markets and to argue the importance of multilateral cooperation.	Chancellor Lawson believes more reliance should be put on interest rates, rather than intervention, to control exchange markets. Not in favor of target zones.	Will press for a more stable monetary system. Advocates creation of exchange rate target zones based on a dollar-yen-ECU alignment. Is likely to resist any measure limiting its monetary sovereignty.	Supports exchange rate stability, but non-committal about target zones. Finance Minister has avoided making any public commitment to joint official intervention.	Top priority is to prevent a further decline in the dollar, ensure EMS stability. Will advocate close cooperation to stabilize exchange rates. May call on the United States to do more by cutting budget deficit and adopting more restrictive monetary policy.
Agriculture—reform and trade	Recognizes disparity between high domestic and low world prices, but faces major political impediments to action. Increased rice imports out of the question, but may be willing to gradually phase out some existing quotas and offer the United States a larger beef import quota.	Under the gun from farm bloc, Bonn emerging as main impediment to EC agricultural reform. May agree more rational policies necessary, but unlikely to offer concessions.	Deeply suspicious of US motives in agricultural trade. Willing to admit system needs reform, but fearful EC policies will be singled out for attack. Will resist rapid progress in GATT talks because of next year's presidential election.	Favors more realistic agricultural policies, curbing spending. Supports OECD work on agriculture. Will try to focus discussions on reform of domestic policies.	Protective of EC policies but as a major agricultural importer more willing to discuss issue than Paris or Bonn. Is likely to argue that problem is surpluses not export subsidies, and that the EC has moved to get these under control.	Agricultural trade liberalization a major concern. May present a proposal on behalf of Cairns Group for cutting grain export subsidies. Would have political difficulty, however, implementing more than token reforms in domestic programs.	Dehors generally supports agricultural reforms but hamstringing by divisions among member states. Has endorsed OECD calls for gradual and balanced subsidy reductions. Is likely to join in appeal for progress in GATT Round, but worried that CAP will bear the brunt of criticism.
Third World debt	Tokyo using debt issue to improve image as responsible economic power. Encouraging Japanese banks to lend more money to troubled LDCs. Banks have already set up offshore company to buy discounted loans.	Views Baker Plan as a failure but has no new solutions to offer. Opposes debt relief alone but favors new loans to LDCs undertaking structural reforms. May urge summit leaders to give banks more generous tax writeoffs for bad loans.	Debt emerging as a major concern. Chirac worried that economic turmoil in Third World will play into Soviet hands.	Supports Baker Plan but favors more flexibility in its implementation. Lawson has proposed relieving poorest African debtors by converting some loans into grants, and stretching out maturities of others, and introducing concessional interest rates.	Softer view of Third World debtors. Will push for capital flows from developed country trade surpluses to LDCs. Supports growth-oriented measures, more flexible debt management policies, debt-equity swaps, and relief measures not tied to tough conditionality.	Continues to support Baker Plan. Favors expanding IMF lending, large IDA replenishment.	No real competence on issue but favors maintaining enlarged LDC access to IMF resources, increased IBRD lending, and macroeconomic policies aimed at expanding developing country growth.
New round and international trade	Goal will be to deflect criticism. Supports Uruguay Round, especially interested in intellectual property and services. Still clarifying position on investment.	Concerned other Summit countries—especially the United States—lacking away from free trade and alarmed by possibility of US-Japan trade war. Annoyed by US machine tool decision. Will again endorse Uruguay Round and urge others to refrain from new restrictions in the interim.	Aside from misgivings about agriculture, enthusiastic about GATT Round, particularly discussions on services. Fearful of mounting protectionism in the United States. Is likely to take especially tough line on Japan.	Pleased with progress in Uruguay Round. Hoping to focus on fundamental problems in trading system rather than on bilateral spats.	Interested in summit statement condemning protectionism. May push for GATT mechanism to monitor standstill. Is likely to give lukewarm support to Uruguay Round discussions on services.	Committed to Uruguay Round, while preoccupied with free trade negotiations with the United States. Primary concern, besides agriculture, is liberalizing trade in natural resources and commodities. Shares some concerns of LDCs about protectionism in industrialized countries.	Dehors will focus on Community's trade deficit with Japan, urge Tokyo to promote imports, and restrain exports. Is likely to support statement calling for early progress in Uruguay Round as long as agriculture not singled out for fast-track treatment.

Venice Summit Political Positions

	Japan	West Germany	France	United Kingdom	Italy	Canada	European Community
East-West relations	Sees no substantive change in Soviet policy toward Japan. Believes strongly in coordinated Western initiatives toward Moscow.	Relations with Moscow improving. Urging positive Western response to Gorbachev's domestic and arms control initiatives. Concerned about implications of Gorbachev's initiatives for Eastern Europe and will want to discuss. Favors expansion of East-West trade.	Skeptical of Gorbachev's internal reforms; suspects effort to delude Western public opinion. Tensions with Moscow heightened because of Soviet espionage in France.	Taking wait-and-see attitude toward Gorbachev's domestic reforms. Wants to expand trade with Moscow. Thatcher considers herself the Summit leader most informed on Soviet developments.	Impressed by Gorbachev's reforms but believes he is seeking efficiency, not openness. Sees opportunity to improve negative trade balance with Soviet Union.	Has praised Soviet domestic reforms and resumed cultural and scientific contacts broken off after Afghanistan invasion. Wants to expand East-West trade. Still calling forcefully for human rights improvements in Eastern Bloc.	Cautious in assessing Gorbachev's domestic reforms. Negotiating with CEMA on mutual diplomatic recognition.
Arms control	Supports European zero option on INF and SRINF as step toward elimination of Soviet missiles in Far East. May seek explicit acknowledgment of Asian security interests in Summit documents. Fears a broader interpretation of ABM Treaty could provoke domestic objections to participation in SDI.	Favors zero option on INF. Favors SDI research but opposes broad interpretation of ABM Treaty. Willing to support French desire to link new conventional talks to CSCE to ensure French participation.	Fears INF accord will decouple the United States from West European security; wants linkage to Soviet concessions on conventional forces. Chirac strongly opposes Soviet zero option on SRINF as step toward denuclearized Europe. Ambivalent about SDI and opposes broad interpretation of ABM Treaty. Wants new conventional talks to be tied to CSCE. Opposes MBFR in principle and does not participate.	More willing than other European leaders to accept broader interpretation of ABM Treaty but wary of SDI deployment. Wants to maintain MBFR until clear that new talks will address the conventional imbalances in Central Europe.	Leaning in favor of zero option proposals for INF and SRINF despite concern about Soviet conventional and tactical nuclear superiority. Might reconsider participation in SDI research if the United States adopts broad interpretation of ABM Treaty.	Supports zero option on INF but worried about split within Alliance over short-range INF. Favors SDI as long as research conducted within limits of strict interpretation of ABM Treaty.	EC leaders have discussed and generally support zero option on INF, but formal "EC" position unlikely.
Terrorism	Is likely to balk at tough counterterrorist initiatives and would probably oppose naming specific sponsors, such as Syria or Libya.	Generally favors strong counter terrorist policies and would support strong Summit declaration on the issue.	Often conciliatory toward state sponsors of terrorism. Would probably accept Summit statement against terrorism if it did not accuse specific governments.	Will support strong Summit statement condemning terrorism and its sponsors. Dubious that further sanctions are needed against state sponsors of terrorism. Considers itself only "vargin" among major nations in dealings with terrorists.	Would support Summit statement calling for more technical cooperation on counterterrorism. Would balk at naming specific state sponsors of terrorism.	Has supported US and UK sanctions against Libya and Syria. Would endorse strong Summit statement on terrorism.	Favors increased multilateral cooperation, exchange of information, and stricter border controls.
South Africa	A low-priority issue for Tokyo. Prepared to support strong declaration against apartheid at Summit.	Condemns apartheid but rejects stronger sanctions. Favors aid and training to South African nonwhites.	Opposes stronger sanctions. Strengthening ties to Frontline States. Would support Summit declaration against apartheid.	Strongly opposes tougher sanctions. May suggest "positive sanctions" in form of aid to South African blacks and neighboring countries. Dubious that Summit statement against apartheid would have intended impact.	Has gone along with limited EC sanctions but fears tougher actions would threaten strategic materials supply. Would support Summit statement against apartheid.	Has strongly condemned apartheid and adopted limited economic sanctions. May try to toughen any Summit statement on South Africa, suggest creating a high-level Summit-Seven body to monitor South African developments.	Further economic sanctions unlikely. Urging closer ties to Frontline States. Budgetary constraints preclude large-scale aid to Frontline States.
Middle East	International recognition of PLO. Supports international peace conference on Arab-Israeli dispute.	Favors international peace conference on Arab-Israeli conflict, but is skeptical of its chances for success. Considering increasing arms sales to Saudi Arabia.	Supports international peace conference including representatives of PLO. Has cultivated relations with Syria and Iran to help win release of hostages in Lebanon.	Favors international peace conference but wants to keep Syrian role small for time being. Stresses Jordan's role in possible West Bank federation.	Favors international peace conference but unlikely to press more controversial initiatives at Summit. Political leadership divided over desired role for PLO.	Not a major actor in Middle East. Has close relations with Israel and Egypt. Would support international peace conference if acceptable to Israel.	Probably will urge other Summit participants to support international peace conference on Arab-Israeli conflict.
Iran-Iraq	Leans toward Iran, although ostensibly neutral in Gulf war. Exports only dual-use material to the warring states and favors negotiated settlement.	Supports EC's calls for immediate ceasefire and negotiated settlement. Government prohibits arms sales to belligerents, although smuggled West German arms may have reached both Iran and Iraq.	Fundamentally pro-Iraq. Sells arms to Iraq. Also trying to normalize relations with Iran, so far without success, in hopes of speeding hostages' release.	Claims to be "scrupulously neutral" in war. Will nonetheless resist attempts to halt nonlethal arms sales to Iran. May suggest Summit statement on need to protect Gulf shipping.	Publicly neutral but leans toward Iraq. Fears Iranian victory would encourage terrorists and Islamic fundamentalists. Trying to block private Italian arms shipments to both sides.	Neutral in Gulf war. Has attempted strict prohibition on export of war materiel to either side.	Officially neutral in war. Anxious about escalation, awaiting UN peace initiative.